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RUCNSE/US SECRET SERVICE WASHINGTON DC PRIORITY
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RUEATRS/TREASURY DEPT WASHDC PRIORITY

S E C R E T TOKYO 003479

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TREASURY FOR JEAN-PAUL DUVIVIER; ISN FOR KEVIN MCGEEHAN

E.O. 12958: DECL: 07/30/2017

TAGS: [KNNP](#) [PARM](#) [PREL](#) [MNUC](#) [KN](#) [JA](#)

SUBJECT: RESPONSE TO JAPANESE REQUEST FOR INFORMATION ON
DPRK PROCUREMENT OF CURRENCY PRODUCTION EQUIPMENT

REF: A. SECSTATE 98429
[1](#)B. TOKYO 002852
[1](#)C. TOKYO 002787
[1](#)D. SECSTATE 71148
[1](#)E. STATE 061051
[1](#)F. BERLIN 000963
[1](#)G. BERN 00543

Classified By: Ambassador J.T. Schieffer for reasons 1.4 b/d

[1](#)1. (S) Summary: Post delivered ref A non-paper to Japan, s Ministry of Foreign Affairs (MOFA), Ministry of Finance (MOF), Ministry of Economy, Trade and Industry (METI), and National Police Agency (NPA). While the meetings revealed ongoing efforts by the Government of Japan to prevent Japan, s Komori company from selling banknote production machinery to the central bank of North Korea, some troubling possibilities remain regarding the re-sale of equipment. End summary.

[1](#)2. (S) Poloff delivered non-paper on DPRK procurement of currency production equipment to MOFA Northeast Asia Division Desk Officer Yasunori Yamamoto on July 19. Yamamoto stated that he appreciated the information and would study it carefully. He added that he would share the non-paper with appropriate offices within MOFA and follow up with us given any questions or concerns.

[1](#)3. (S) FINATT met with MOF Financial Bureau Director for Currency System and Cash Management Yasumasa Tahara on July [1](#)20. Tahara has recently assumed this newly created position and invited his predecessor Shunsuke Shirakawa, former head of MOF, s Currency Policy.

[1](#)4. (S) Prior to the meeting MOF, s Shirakawa shared the following Customs and Tariff Bureau information regarding Komori, s recent exports: in the calendar year ending in May 2007, Komori exported printing machines to China, South Korea, Taiwan, and Thailand; there was no record of direct exports by Komori to North Korea. Overall, Komori exported 13 billion yen (\$108 million) worth of equipment, 60% of which was sent to China. Of the total exported, 20 percent was "offset printing machinery" and 80 percent was considered "other printing machinery", which MOF speculates was intaglio printing machinery. According to MOF, the Customs and Tariff Bureau confirmed that Komori, s banknote production equipment was not designated under export control regulations stipulated by the foreign exchange and foreign trade control

law.

15. (S) MOF further disclosed ongoing discussions with the NPA,s Second Investigation Division, Criminal Investigation Bureau, including the parties, agreement to "continue close contact on this case with heightened vigilance against (the) export of high-tech printing machines, including discarded ones."

16. (S) Econoff and FINATT met with METI Industrial Section Deputy Director Eigo Nomura and Industrial Section Precision Machinery Section Chief Harumitsu Suzuki, along with members of METI,s Trade Control Policy Division on July 24. Nomura was very interested in the non-paper,s description of how German authorities dealt with North Korea,s attempts to procure an offset/intaglio web-press from German firm Drent Goebel. Nomura asked which statute in German law was used to justify blocking the sale of the press to North Korea; Japan has no legal provision that would explicitly control the export of currency production equipment. FINATT encouraged METI to consider the utility of a principles-based approach to export control, given Econoff,s examples of how technology frequently outpaces a rules-based standard, and how seemingly anodyne products like fertilizer could be misused in the wrong hands.

17. (S) METI explained that they had recently met with officials from Komori to register their concerns. According to METI, Komori has no plans to export to North Korea, and reported that they had never done so. Komori further reported that it had never exported to Iran, Iraq, and Afghanistan. Komori also noted that it subjected its buyers to "careful screening", and that the risk of front-company buyers was mitigated by the extensive machinery servicing

needs that Komori equipment required; the vendor remains in close contact with purchasers well after the point of sale.

18. (S) METI concluded that they had taken much the same steps with Komori that the German authorities had taken with Drent Goebel, and evinced satisfaction that there was no possibility that any sale would transpire.

19. (S) FINATT, LEGATT, and ICE/DHS met with National Police Agency (NPA), Foreign Affairs and Intelligence Department, Assistant Director and Police Superintendent Tomoaki Onizuka July 26 to share the non-paper. Onizuka disclosed that NPA has been investigating Komori, including background checks on employees and business partners, and assessing the firm,s export records. NPA has also undertaken efforts to strengthen relations between Komori,s executives and local police, given what NPA considers the company,s "long history and achievements."

110. (S) Komori,s CEO, President, and Representative Director Toshiharu Komori (DOB 27 June 1939, PPT TG6722160) and Chief Operating Officer Satoshi Mochida (DOB 7 August 1950 PPT TF5193048) apparently travel overseas frequently; Komori has been exporting its machinery since 1988, generates 60 percent of its sales in overseas markets, and has sold presses in 54 countries through at least a dozen overseas branches and selling agents. While METI appeared satisfied that Komori equipment,s servicing needs provided a barrier to re-sale and re-export, Onizuka surmised that Komori sales in places like Russia and Nigeria made it difficult to track all users of any such equipment through the entire term of useful service. NPA pledged to share any further information as it became available, and work closely with Komori to prevent any potential sale of currency production equipment to North Korea.

111. (S) Comment: The Government of Japan,s response to our initial request to prevent the export of Komori presses to North Korea is measurable, but falls short of an explicit ban. Approaches by METI and NPA to the firm itself should raise awareness within Komori,s senior ranks, but it remains uncertain if the firm,s various branch offices overseas have the capacity to effectively determine which clients are

legitimate or not. The inability to effectively track the secondary market of Komori goods is also cause for concern. Post will continue to monitor this matter.
SCHIEFFER